Praise Endorsements

“A brilliant read. Leave all of your other books on marketing in this digital and customer-empowered world on the shelf. Jerry has provided the new manifesto for all marketers’ intent on driving strong business results and effecting legitimate brand building in today’s environment. The contents of The Opt-Out Effect and the truly new paradigms contained therein are both chilling and exhilarating. Marketers and business people would ignore them at their own peril!”

—Frank P. Bifulco, Jr., Executive Vice President, Global Marketing, Staples, Inc.

“The customers’ digital brand experience is here and now and will continue to grow exponentially. Those who want to win over new customers and retain the ones they have need to win in this digital space. The Opt-Out Effect gives great insight and a useful outline on what needs to be done to assist you in being competitive over the upcoming years—or have your customers opt-out of your brand. Your decision—a great thought-provoking read.”

—Raymond Mancini, CEO, The Belknap White Group

“The Opt-Out Effect is spot on. The power of today’s economy is in the hands of the user. He/She is the arbiter of what’s good, what’s right, what’s valuable. And brands that win today are those that understand this new reality and embrace such truth. Give users what they need to love your brand and empower them to decide. Dr. Gerald Smith’s thorough work brings such insight to light in this frenetic, innovation-centric, digitally infused world in which we all live.”

—Laura Gentile, Senior Vice President and Founder, espnW

“Not only do today’s customers have a seat at the marketing management table, they’re rapidly moving toward the head of it. This book is packed with practical insight, frameworks, and tools to help marketers adjust before incurring the costly harm of customer opt-out. Smith offers a path—and the math—toward managing digital customer relationships.”

—Sean Burke, Chief Marketing Officer, GE Healthcare—Solutions
“Gerald Smith took a very smart, innovative and courageous approach to analyzing the relationship between brands and today’s evolved consumer in The Opt-Out Effect. The modern day marketplace is realizing a significant shift in the power dynamics within the path to purchase and studying this movement through the lens of the consumer offers a pragmatic exploration of this evolution and its impacts. The Opt-Out Effect will change the face of how marketers behave in this new world!”


“The Opt-Out Effect is one of the few marketing books I’ve read that uses current market conditions and examples to demonstrate the constantly changing consumer and marketing landscape. A worthwhile read for marketers today.”

— Victor Lee, Senior Vice President, Digital Marketing, Hasbro

“Dr. Jerry Smith offers a powerful real-world framework for understanding changing relationships between brands and customers. The implications are eye-opening—sustainable customer loyalty will be earned by those companies that invite customers into the digital brand space: to start conversations, create content, rate experiences, request service, suggest product changes, and countless other interactions. This book is a must-read for marketing professionals to better understand the strategy, tools, and talent required to facilitate this type of customer-driven brand experience.”

— Chris Alexander, Senior Vice President and Senior Product Manager, Liberty Mutual Insurance

“Dr. Gerald Smith weaves a compelling narrative that explores the dynamic control that customers are increasingly exhibiting on brands and their marketing strategies. Customers are not willing to compromise on their expectations and are using multiple positive and negative levers through social media and behaviors to acquire best value. This shift in control is compelling marketing organizations to create comprehensive customer-focused strategies—a meaningful response to the evolution of the customer-managed experience. A must-read for brand managers and customer-facing executives.”

— Anjli Dudani, Vice President of Global Risk, Policy and Compliance, eBay
The Opt-Out Effect
THE OPT-OUT EFFECT

Marketing Strategies that Empower Consumers and Win Customer-Driven Brand Loyalty

Gerald E. Smith
To Betsy
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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgments</td>
<td>xii</td>
</tr>
<tr>
<td>About the Author</td>
<td>xiii</td>
</tr>
<tr>
<td>Introduction</td>
<td>xiv</td>
</tr>
<tr>
<td><strong>Chapter 1  The Age of the Customer</strong></td>
<td>1</td>
</tr>
<tr>
<td>The Empowered Customer</td>
<td>2</td>
</tr>
<tr>
<td>Smart Brands Engage Consumers</td>
<td>12</td>
</tr>
<tr>
<td>Researching Customer Empowerment</td>
<td>13</td>
</tr>
<tr>
<td>An Omni-Channel World</td>
<td>14</td>
</tr>
<tr>
<td>Connected Consumers Create On-Demand Expectations</td>
<td>18</td>
</tr>
<tr>
<td>Socially Empowered Consumers</td>
<td>21</td>
</tr>
<tr>
<td>Customer-Driven Brand Loyalty</td>
<td>26</td>
</tr>
<tr>
<td>Build Consumer Trust</td>
<td>27</td>
</tr>
<tr>
<td>Conclusion</td>
<td>31</td>
</tr>
<tr>
<td><strong>Chapter 2  The Opt-Out Effect</strong></td>
<td>33</td>
</tr>
<tr>
<td>Marketers: Advocates or Adversaries</td>
<td>37</td>
</tr>
<tr>
<td>Outbound to Inbound Marketing</td>
<td>38</td>
</tr>
<tr>
<td>The New Strategic Marketing Era: Boundless Marketing</td>
<td>41</td>
</tr>
<tr>
<td>Trending Toward Customer Opt-Out</td>
<td>44</td>
</tr>
<tr>
<td>The Opt-Out Effect</td>
<td>46</td>
</tr>
<tr>
<td>The Cumulative Effect of Opt-Out</td>
<td>48</td>
</tr>
<tr>
<td>Classes of Opt-Out</td>
<td>51</td>
</tr>
<tr>
<td>The Financial Impact of Opt-Out</td>
<td>53</td>
</tr>
<tr>
<td>Considering the Financial Impact of Consumer</td>
<td>57</td>
</tr>
<tr>
<td>Opt-Out on CLV</td>
<td>57</td>
</tr>
<tr>
<td>Regulatory Involvement and Opt-Out</td>
<td>58</td>
</tr>
<tr>
<td>Conclusion</td>
<td>67</td>
</tr>
<tr>
<td><strong>Chapter 3  The New Look of Loyalty</strong></td>
<td>69</td>
</tr>
<tr>
<td>The Emerging Digital Dimension of the Customer–Brand Relationship</td>
<td>70</td>
</tr>
<tr>
<td>Early Customer Relationship Management</td>
<td>76</td>
</tr>
</tbody>
</table>
Transitioning to a New Paradigm in Customer Loyalty ........79
Customer-Driven Brand Loyalty ..............................81
The Impact of Experience on Loyalty .........................86
Demonstrating Loyalty to Consumers with
    Surprise and Delight .......................................91
Expectations and Drivers of Customer-Driven
    Brand Loyalty ................................................93
How Customer-Driven Brand Loyalty Builds
    Market-Based Assets .......................................100
Market-Based Assets and Customer Lifetime Value ..........104
CLV and Customer Brand Equity ..............................115
Conclusion .........................................................118

Chapter 4 Customer-Managed Experience ......................119
Customer Centricity: Foundation of CMEx ...................123
Customer Experience: Shaping CMEx .......................124
Customer Engagement: Activating CMEx ....................126
Customer Managed: Enabling Customers
    to Manage CMEx ...........................................130
Dominant Experience Expectations:
    The New Competitive Standard ........................133
Customer Journeys .............................................137
McKinsey's Consumer Decision Journey Model ...........140
McKinsey's New Accelerated Consumer Decision Journey ..144
Oracle's Customer Experience Infinity Loop Model .......146
Monitoring and Engaging with Customer Journeys ........149
Measuring and Analyzing Customer Journeys ...............151
Visualizing Actual Customer Journeys .......................155
Designing and Building Customer Journeys ................157
Conclusion .........................................................161

Chapter 5 Managing Moments of Truth
    and Opt-Out .................................................163
Moments of Truth .............................................163
Anticipating Triggers, or Moments of Need .................172
Measurements that Matter ...................................174
Empowering Customers to Manage the Cost of Brand
    Relationships ..............................................183
Chapter 6  The New Brand Manager in the Digital Economy 201

The Impact of the Digital Economy on Brand Management 203
The Customer and the Brand Manager in the Digital Economy 210
Customers as Brand Managers in the Digital Economy 215
Consumer Engagement and Involvement with the Brand 219
Brand Managers in a Customer-Centric Digital Economy 224
Digital Brand Management 229

Index 235
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Introduction

We are in a transitional period between a traditional economy and a digital economy; we are neither fully traditional, nor fully digital. Digital innovation surrounds us, excites us, threatens us, inspires us, and paralyzes us. Which of those verbs you feel comfortable with depends a lot on the world you have grown up in. Millennials are excited and inspired; many Gen Xers are less so.

What is remarkable about this transition is the nature of digital innovation itself and the people who embrace it. Forty years ago the people who embraced digital innovation were engineers and programmers, those who received university degrees that enabled them to swim in the deep waters of mainframe, minicomputers, and serious microcomputers. To them an Apple II computer, or a Macintosh operating system were pretenders, not really serious computing machines. It was an exclusive world, a club of high knowledge buyers who understood and loved sophisticated technology. The icons of this long era were IBM, Hewlett-Packard, Microsoft, and Dell in computers, and Motorola, Blackberry, and Nokia in mobile devices.

However, in the middle of the decade of the 2000s, digital changed in profound ways that upended the world of innovation, of consumer buying and purchasing, and as we will see in this book, upended the world of brand management and marketing. A new digital paradigm emerged grounded in intuitive and broadly accessible innovation principles—simplicity, easy to use, delightful to experience, and engaging. The icons of this new era were Apple, Google, Amazon, Uber, Instagram, Facebook, Twitter—with a penchant for extremely meaningful digital innovation made accessible to everyone. Google published its manifesto as constitutional principles of the new guard: *Innovation comes from everywhere; Focus on the user; Aim to be 10 times better; and Bet on technical insights*—the top 4.

Apple deliberately created an “App Store” that shattered software barriers, opening up computer programming to entrepreneurial developers. These digital innovators created simple and tiny apps that would have been scoffed at just a decade ago, that worked on small and simply elegant mobile devices. What an app did was limited in function, but it did
it extremely well with intuitive insight and, most important, functional simplicity. An app was accessible to everyone with a mobile device, and the proletarian masses embraced apps, and mobile, in stunning market-driven ways. And digital innovation itself, once the bastion of elite universities and large corporations, now emerged from college dorm rooms, from simple startups that failed as often as they succeeded—but made hundreds of thousands of dollars in days or weeks, because their intuitive digital ideas were instantly downloaded from an app store for free, and embraced by the masses.

This mass market embrace of simple digital innovation by large consumer populations across the globe has empowered consumers in ways never seen before. They are captivated by newfound digital solutions that engage and delight; and emboldened too in their expectations that all brands, products, and services must now embrace the same broadly accepted standards of simplicity, ease of use, delightful to experience, and engaging.

However, many brand marketers remain grounded in the traditional economy—especially the marketing leaders who have accumulated time and tenure and gradually risen in seniority to the top of their profession. Their traditional voice is influential on brand management, product design, and consumer marketing. They seek to retain hierarchical power, and control large reservoirs of market resources and investment capital.

This book is about the clash between these two forces. Consumers have no power individually, but collectively have become remarkably empowered to literally threaten the established order of the traditional economy—not in decades, but in years. My team and I have explored this issue thoroughly, have researched consumers and marketers, interviewed brand managers, sought the insights and expertise of leaders in the field, and looked for best practices wherever we could find them. We share them with you in this book.

It has been a fascinating, illuminating, and delightful journey.

Now together, let’s move on to Chapter One.

— Jerry Smith
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A tectonic shift is taking place as the economy transforms into the digital economy of the twenty-first century. Clearly visible on the surface, but still not well understood by many brand marketers, is a struggle for power and influence between companies, marketers, and brands on the one hand, and consumers, customers, and their government agencies on the other. We see not-so-subtle symptoms in surprising corners of the corporate world; for example, Microsoft laying off thousands of employees in its mobile phone business, purchased from Nokia only a year ago—once the dominant brand in mobile phones in the early 2000s—as Microsoft tries to transform itself from a desktop computer brand into a cloud computing or mobile brand.

We see the struggle too in a faraway corner of the digital world where a lone programmer, Marco Arment, created a mobile app, called Peace, that filtered out mobile ads and personal online tracking on apps and websites. Mobile ads slow down page loads, drain battery power, and waste data bandwidth, and they open the door to malware and fraud. At $2.99 it instantly shot up to #1 in the US Apple App Store—where it remained for 36 hours. But Marco removed his app just as quickly as he put it up. Why? Because it had the potential to destroy the profit potential of many small (and large) mobile developers and brands—because these brands fundamentally rely on mobile advertising. Marco framed his pivotal move in prescient terms—as a small but significant cog in a war between consumers and advertisers:

*Ad-blocking is a kind of war—a first-world, low-stakes, both-sides-are-fortunate-to-have-this-kind-of-problem war, but a war nonetheless, with damage hitting both sides. I see war in the Tao Te Ching sense: it*
The instant popularity of Peace—like the market success of Uber, Instagram, or Tumblr (also created by Arment)—demonstrates the vast market power being accumulated by consumers as they move about with ease in a mobile and nimble world of rapidly changing and disintegrating digital technology. Yet the struggle between marketer and customer is not about technology per se—digital technology is merely an enabler. Consumers don’t care whether Apple’s iOS mobile platform, or Google’s Android, or the Windows Phone, or BlackBerry platforms win or lose. Or whether their solution is cloud based, or mobile. What they care about is getting things done—searching, sharing, solving, trying, buying—and achieving the outcomes they want simply, effortlessly, and delightfully. The implications of this shifting mindset for most marketers and brands will be defining and historic, and will be clearly evident within five years.

The Empowered Customer

The thesis of this book is that discriminating customers have never before been as empowered to take control of the customer–brand relationship—due to the confluence of three transformational market forces (see Figure 1.1).

**Search Knowledge.** Search engines Google, Bing, Yahoo, Ask, or AOL enable customers to effortlessly shop, search, and compare information on any product or service—new, existing, or obsolete—to obtain replacement parts, to access product information (manuals, operating instructions), and to obtain advice from social message forums, product use forums, and “how-to” videos on

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YouTube channels. Because of their search knowledge, customers have the power to demand better performing products and services, and more favorable prices.

**Mobile Agility.** Mobile platforms such as Apple iOS, Android, BlackBerry, or Microsoft Windows facilitate access to the vast trove of online information regardless of geographic location—on site at retail comparing a retailer’s prices with other competing retailers, or using GPS to suggest nearby shopping alternatives. Because of their mobile agility, customers have the power to substitute immediate and proximal product and service alternatives, dramatically leveraging their ability to negotiate prices and product/service preferences.

**Social Power.** Facebook, Google+, Twitter, Reddit, Tumblr, LinkedIn, YouTube, Pinterest, Path, or Pheed enable buyers to share, counsel, blog, seek advice, and engage in social dialogue with persons never before met, simultaneously in nearby and distant places, but with common interests and goals, at this very moment in time. Because they are socially connected, customers have greater power to demand equity and fairness vis-à-vis other customers in the brand community, and to pose the imminent threat of broadcasting brand failures—as well as brand successes.

These forces are creating a new generation of high-knowledge buyers, who know as much or more than marketers about what it is they are buying. They know more than retail salespersons, more than telephone or chat support representatives, and often know more than the manufacturer or factory marketers themselves—because these high-knowledge buyers know of competitors across the global or the local Internet economy that the manufacturer had never thought of. The knowledge of these newly empowered customers affects everything about the way they buy—their price sensitivity, what they value, the type of information they process, the comparative shopping they do, and their expectations for performance, service, and experience.

I had an important wedding anniversary this year—all are important of course, but this one was extra special and I wanted to create a real surprise and buy a new wedding ring. I spent time online to check out the website of a local jeweler that I had done business with over the years, and found a perfect ring. After emailing the webpage to myself, I went to the jeweler’s retail store to purchase the ring. In store, the saleswoman cheerfully said “Of course, do you have the item number?”
I had better than the item number: I pulled out my iPhone, opened Gmail, and showed her my mobile screen: “Here it is right here. This is your webpage with the picture of the ring and its information.” The saleswoman went into the backroom and returned with a selection of rings: “I can't find that particular one but here is a selection of other rings that look a lot like that one.” Really? I explained why this was the ring I wanted—it was simply the one. “Why don't you just order it,” I said. She went into the backroom again, returned and said: “That manufacturer no longer lists that ring on their website, but let me research it and get back to you.”

She got points for offering to help, but failed in the execution: Their website was wrong, and her selling assumptions were just out of date. I had already spent hours online finding the perfect ring—the type, style, color, carat, clarity—and price. Why go through that all over again in a few minutes in the store? She emailed me eight days later saying that she still couldn't find that ring but had found yet another just like it. But I had already gone online again, found my perfect ring at another Internet jeweler—for less money. The ring arrived in two days and the anniversary was a total success. But my customer relationship with that local jeweler will never be the same—because of the transformational impact of digital. This customer had embraced omni-channel shopping (instant availability through various channels and retailers)—with expectations of a seamless experience online, mobile, and in-store—and anticipated immediate satisfaction, even delight. This retailer just had no clue what omni-channel meant, tethered to the old computer in the backroom and trying to sell their limited inventory of in-store rings.

In discussing the millennial generation's expectations of seamlessness, Accenture said: “We define seamlessness as the ability to deliver a consistently personalized, on-brand experience for each individual customer, at every touchpoint—anytime and anywhere.” They identify four components of a seamless customer-facing retail experience:

1. Customize brand offerings across channels in the ways millennials want, which typically boils down to providing better, faster, and more memorable service.

2. Integrate operational elements so that the brand can have a single “conversation” with customers, not one that changes from smartphone to PC to physical store.

3. IT platforms should be integrated to unify their sources of data and boost cross-channel transparency.

4. Team up with technology, data, analytics, and process partners to provide the service performance millennials want because they will not be able to deliver it all themselves. As a result, successful players are collaborating to strengthen their customer value propositions. For instance, a third-party logistics provider can supply same-day delivery services for online purchases, enabling retailers to offer a service customers want without having to invest in an expanded delivery fleet or new routing capabilities.3

Digital has a more elemental influence on customers because of what they now can do. Customers who are digitally enabled feel a sense of new engagement, of having access to whole new capabilities that are empowering, and they want to use them, to play with them, to experiment with them—to personally experience them. And they want brands to digitally engage with them, not just provide entertaining ads. If they have good digital experience with other brands and your brand doesn't have these digital capabilities, then they wonder why. Digital has raised customer expectations, not only about the product or brand but, more importantly, about customers' participation with—indeed how they interact with—the brand. I did field research on brand managers and their experiences with digital in brand management. One digital marketing manager said: “They [consumers] like when they have their own voice. Even if they don’t buy it, they like to feel they changed the product—they feel fulfilled. And they like when they feel that we’re listening. It’s ‘their brand.’”

Some brands recognize all this. And they are responding, paradoxically, by giving customers even more power, by co-opting customers into the very inner core of the brand’s marketing and strategy models. For example, Amazon is getting into the video production business, like Hollywood sitcoms and movies. How does it choose from among a

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3. Ibid.
sizeable pool of possible movie scripts to find the right one? Rather than relying on the gut instincts of traditional Hollywood movie moguls—a last century model—Amazon deploys a proletarian strategy of crowdsourcing by going directly to its large reservoir of digitally loyal customers and polling their preferences, producing not only the customer's choice among scripts, but also, vitally important, testing, listening, and sensing how and why the script resonates with them.

Starbucks encourages customers to engage digitally with new brand ideas to help improve their retail service model. “Share your ideas,” it says on the MyStarbucksIdea webpage; “tell us what you think of other people's ideas and join the discussion.” At the time of writing, the site provides links to 45,430 Coffee & Espresso Drink ideas, 22,648 Food ideas, 22,308 Atmosphere & Location ideas, 11,816 Ordering, Payment, & Pick-Up ideas, and many others. Each idea gets voted on, commented on, and accrues points for customer popularity. Here are a few popular ideas: “Be able to use rewards on mobile-ordering,” posted by kaitlynseim on July 14, 2015, has accrued 1,580 points. “Please, please give me a star for each coffee I purchase,” posted by camptatum on October 1, 2012, has accrued 363,500 points. And, “Mobile apps should save favorite drink orders and favorite stores,” posted by Snow on April 1, 2015, has accrued 570 points. On the My Starbucks Idea website it lists 20 very popular ideas that “came from you, our customers,” of which 13 have been “Launched,” one is “In the Works,” and 6 are being “Reviewed.”

Doubt that these newly empowered buyers are more knowledgeable than marketers? One Australian specialty retailer, upset at buyers who engaged in “showrooming”—browsing the retail store and then buying online elsewhere—instituted a policy of charging a $5 fee for in-store browsing. Here’s the content of the sign the store posted:


This brick-and-mortar retailer may have been frustrated, but its short-sighted policy demonstrates clearly that it is way behind its savvy customers. Even worse, a photo of the store’s policy sign (from an amused shopper’s smartphone camera) went viral via Reddit, followed by a string of online comments under the heading “dumb retailer.” In France, the same showrooming issue surfaced when the French National Assembly introduced a “PROPOSED LAW to preserve the vitality of commerce in urban centers,” forcing French online retailers to charge the same prices as urban city brick-and-mortar retailers:

Box 1.1: Showrooming Forbidden

Dear Customers,
As of the first of February, this store will be charging people a $5 fee per person for “just looking.” The $5 fee will be deducted when goods are purchased. Why has this come about?
There has been high volume of people who use this store as a reference and then purchase goods elsewhere. These people are unaware our prices are almost the same as the other stores plus we have products simply not available anywhere else.
This policy is in line with many other clothing, shoe and electronic stores who are also facing the same issue.


Box 1.2: French National Assembly Law

French National Assembly, Proposed Law, April 2013
Ladies and Gentlemen,
For several decades, the situation of shops of downtown knows increasing difficulties . . . Currently, regardless of the need to practice a trade margin, the prices charged by distributors [in the] city are often much higher than the prices charged by suppliers on their website for online sales.
Showrooming of course is a highly rational buyer strategy to make price comparisons immediately as buyers browse websites via mobile in retail stores, or computer or tablet browser at home. Market survey company Gallup found that among “U.S. consumers, 40% claimed to have ever showroomed in the past, [although] just 6% said they had showroomed during their most recent trip to a retail store.”

Digital researchers at BI Intelligence did a recent study of retail stores that appear to be especially vulnerable to showrooming. The ten retailers they say are most vulnerable to showroom shoppers are mainstay brick-and-mortar chains (in rank order): Bed Bath & Beyond, PetSmart, Toys “R” Us, Best Buy, Sears, Barnes & Noble, Kohl’s, Target, Costco, and JCPenney (see Figure 1.2).

How are retail chains responding to the showrooming threat? Best Buy matches the prices of 19 major online competitors, including Amazon and Buy.com—a risky strategy competing against online sellers with minimal brick-and-mortar assets. Target introduced its own price matching policy vis-à-vis online prices from Amazon, Walmart, Best Buy, and Toys “R” Us. Target also sent an urgent letter to its suppliers asking them to create slightly differentiated products that would set Target apart from competitors and shield it from showrooming price comparisons. In desperation,

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“some retail chains are blocking cell signals in-store, or adopting proprietary barcodes that won’t allow shoppers to check prices at competitors’ sites,” said BI Intelligence—a misguided policy that only annoys powerful consumers.9

L.L. Bean has a long and famously loyal base of outdoor enthusiast customers, voted the number 2 brand for excellence in customer service and experience. But in recent years many of L.L. Bean’s customers have migrated to a digital relationship with the L.L. Bean brand. Online revenues have grown to exceed catalog orders. As phone-in order volume declined, the company closed one of its four call centers in Maine, displacing 220 year-round employees. No longer is the brand relationship driven only by product, or even by service delivery. Increasingly, the brand relationship is being driven by its digital relationship anchored in an online brand experience that envelops the customer in an experiential customer-centric world of product information, lifestyle information, and online customer sharing—all seamlessly sustained by an invisible platform of digital customer purchase and relationship data.

9. Ibid.

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**Retailers Most Vulnerable to Showrooming**

| 1. | Bed, Bath and Beyond |
| 2. | PetSmart |
| 3. | Toys “R” Us |
| 4. | Best Buy |
| 5. | Sears |
| 6. | Barnes and Noble |
| 7. | Kohl’s |
| 8. | Target |
| 9. | Costco |
| 10. | JC Penney |

**Figure 1.2 Vulnerable Retailers**

Yet at the same time L.L. Bean is opening more retail stores near areas where the company can offer its hands-on Outdoor Discovery Schools—sensing that physically touching is an essential complement to online experiencing the various dimensions of the L.L. Bean brand. This is an example of how the revolution of the new digital economy is changing traditional twentieth-century business models. For some categories, retail stores will increasingly become offline product showrooms (not stores to actually purchase) or fulfillment sites. For example, the Wall Street Journal cited Blue Nile, a leading online jeweler that established “web rooms” with less than 500 square feet each—about one-sixth the size of a typical jewelry store. The web rooms have available 300 sample rings for trying on, and consumers then pick a diamond from one of 200,000 that Blue Nile displays on its website. Blue Nile “is able to turn its inventory about 11 times a year compared with about twice for a typical jewelry chain. And Blue Nile doesn’t have as much risk because it waits for a customer to place an order before taking possession of the goods, reducing its working capital needs.”\(^\text{10}\)

Macy’s is similarly testing offline showrooms with its swimsuit and workout categories. “Instead of stuffing racks with every size and style in these departments, Macy’s displayed only one item of each style. Shoppers used an app on their mobile phones to alert Macy’s sales staff of the style and size they wanted to try on and that item was sent to a specified dressing room.”\(^\text{11}\)

Home Depot is investing in what they call “Interconnected Retail,” a seamless platform across all commerce channels with an enhanced web and mobile experience, and online sales conversion. Forty percent of online orders were picked up in stores through its BOPIS (Buy Online, Pickup In Store today), BOSS (Buy Online Ship to Store), and BORIS (Buy Online, Return In Store) programs. They are now piloting BODFS (Buy Online Deliver From Store). They are further investing in large-scale direct fulfillment centers to facilitate Amazon-like direct-to-customer delivery with the capability to deliver 90% of their customers’ parcel orders in the United States within two days.


\(^{11}\) Ibid.
Zappos is the largest online shoe store in the world, but not because of competing on price. Its founding vision in 1999: “One day, 30% of all retail transactions in the US will be online. People will buy from the company with the best service and the best selection. Zappos.com will be that online store.” Shoes have to look good on you, and they have to fit. So you have to try them on—that’s why you go to your local shoe store. Zappos gets it perfectly: They have an unlimited returns policy, free shipping, and 24-hour generous customer service. This customer’s sentiment was common among Zappos’ customers:

**Box 1.3: Zappos’ Customer Comments**

Two days ago I had to order new shoes for my son, and unbelievably I got them yesterday. He was excited to put them on and see how fast he could run! He wore them (Nikes) for less than an hour, and shockingly the soles began to separate from the uppers. When I went to Zappos online and read their return policy it said I could only return unworn shoes . . . I thought it would be best to call customer service to see if they would consider an exchange anyway. Surprisingly, they did even more than that for me, and clearly with a smile on their face! I was able to exchange the shoes for a new pair, which cost $8.00 more and they waived the extra price difference! As if that weren’t enough to make me extremely happy, I don’t even have to go through the hassle of sending the defective pair back! She said I could throw away, donate them, or just keep as kick-around type of shoes!


Now Zappos is experimenting with retail partnerships with small mom-and-pop brick-and-mortar stores, giving it a physical presence to augment its cloud-based business model. “The convergence of online and offline seems to be an unstoppable force that I believe will ultimately change the face of retail,” Zappos CEO Tony Hsieh explained. “We are currently in a really interesting time for retail where on one hand many online stores are looking to have more of a brick-and-mortar presence for branding purposes (which is a big part of why we are launching a 20,000-square-foot Zappos pop-up shop in downtown Las Vegas for the holidays) and on the other hand many brick-and-mortar stores are looking to enhance their experience with more access to inventory in
the cloud.”12 Note the trends here: inventory is being stored centrally in the cloud, while brick-and-mortar stores are situated locally to enable customers to conveniently experience the brand—to try on, get personal advice, and get customer support.

Smart Brands Engage Consumers
The age of the customer is also underpinned by the vast amount of user-generated content (UGC)—email, chat, tweets, comments, games—supplemented by polling, crowdsourcing, online testing, and customer clickstream data. UGC can be a rich source of information for other consumers, but importantly, also for your brand.

The new marketing research is digital, dynamic, and dedicated to the customer’s decision journey and building, nurturing, and listening to customers, customer relationships, and customer communities. For example, Frito Lay’s Doritos brand invites customers to design their own Doritos commercial in the “Crash the Super Bowl” contest; the top two winners are shown live during the Super Bowl broadcast. In 2013, the contest moved to Facebook, generating more than 100 million Facebook views of the top five ads. But more important, Doritos fans shared, liked or disliked, tweeted, and commented on the ads (one ad “Finger Cleaner” had 4.1 million views on YouTube with 10,464 likes, 633 dislikes, and 8,668 shares on Twitter, Facebook, Google+, and Reddit). Meanwhile, Frito Lay brand managers listened to how fans engaged with each other and with the Doritos brand narrative, providing invaluable intelligence for the brand. For example, they listened to customers’ language, personality, and recurring themes—“lots of babies, dogs, guys hitting on girls, and Cheech-and-Chong humor . . . [evoking] long-tail keywords to build natural SEO and target what consumers really want from [the] product,” said blogger Aimee Millwood.13

Ask yourself: What are your customers’ decision journeys and where does your brand engage with customers—digitally? Are you building and


leveraging digital customer relationships? What kind of UGC does your company do with your customers?

To empower customers, Home Depot’s DesignConnect invites customers to join online to “Collaborate with Our Design Professionals to Create the Perfect Kitchen,” using online tools that enable customers to get things done. No more worrying about finding the time and money to hire an architect or interior designer. Do it yourself with the free consultation of a Home Depot professional—accessed via chat or email. Create, store, retrieve, and organize your design ideas online, and when you’re ready it’s easy to move to the next step—to purchase and arrange installation. The DesignConnect tool empowers customers to do what they want, when they want, in ways they want—to simply get things done.

The imperative now is for every company to do the same thing in their own market space, to build digital assets and tools that satisfy and delight customers, and enable them to do things in unique and compelling ways—with your brand as an essential complement. This means investing in engaging and alluring online sites, intuitive mobile apps, and social, video, and message assets for emailing, sharing, posting, blogging, rating, reviewing, liking, disliking, tweeting, connecting, and linking. They involve smart marketing investments in online, mobile, and messaging.

What’s the payoff for such ubiquitous investment? The customer’s sustained engagement—and loyalty. But it’s a new form of loyalty that is customer driven, not brand driven. What’s the penalty for putting off this investment? Customers opt out from your brand and move on to another more engaging one.

Ask yourself: Are you building digital assets and tools for customer empowerment and engagement? What kinds of digital assets and tools have you provided your customers to build stronger digital customer relationships?

**Researching Customer Empowerment**

I work closely with experts in both digital and brand management, and for this book my team and I did research through which we could explore this issue of customer empowerment. We wanted to know more about these consumers, but also about the marketers and brands who marketed to them—about their contrasting attitudes and beliefs in this new environment. Were their views in alignment and agreement, or drifting
apart—with different assumptions and divergent views of the new reality of living with an online world? We conducted in-depth interviews with brand managers, digital marketing managers, digital agency personnel, senior marketing leaders, and thought-leaders to see how they were responding in this new era of digital innovation. These interviews provided insights into the impact of digital marketing on brands, marketing managers, and brand management, including their views of the role of customers in their relationships with brands in the digital economy. The viewpoints and perspectives from these, and other interviews, are featured throughout this book in order to share best practice examples on how many are rising to this new challenge and meeting it head-on.

Working with digital and brand marketing partners, we conducted the Boston College (BC) Customer Empowerment Research Study consisting of two parallel quantitative online survey studies; one with 406 consumers aged 18–64 to assess consumers’ core opinions regarding digital experiences, to better understand consumer attitudes and experience regarding online shopping behaviors, and to understand consumers’ preferences regarding online contact with companies and brands. The other survey, with 219 marketing executives and managers, quantitatively measured their attitudes and behaviors with regard to the same issues studied in the consumer survey. The marketer survey included President, CEO, COO, Owner or Board Member (20%), Director of Marketing or Marketing Department Head (16%), Marketing Manager, Brand Manager or Marketing Team Leader (39%), Assistant/Associate Marketing Manager/Brand Manager (14%), CIO, CAO, VP, SVP, or EVP of Digital (5%), and CMO, VP, SVP, or EVP of Marketing (5%). Forty-nine percent of managerial respondents were from companies with more than 1,000 full-time employees.

**An Omni-Channel World**

The number of channels consumers use is expanding constantly and consumers glide effortlessly from a brand’s online site to Facebook, to a review site, to a Tumblr blog, to a shopping bot, to a retailer’s app, and so on. Brands seek to reach the consumer, it seems, everywhere they are. Omni-channel can be confusing, defined in various ways by consultants, brands, and vendors. What matters most is the expectations of ever-connected consumers.

First, it is increasingly the case that consumers expect seamless omni-channel brand experiences—in which they can smoothly and deftly transition, intercommunicate, and interconnect between platforms,
sites, and locations. This is not the same as multichannel marketing in which brands simply do coordinated marketing across retail, direct marketing, and digital channels. Omni-channel means the brand must be ever present, everywhere at once, and yet personalized, flexible, and with one-on-one customer intimacy.

As an example of this challenge, according to the Board of Governors of the Federal Reserve, 87% of the U.S. population owned or had regular access to a mobile phone in December 2014. Thirty-nine percent have used their mobile phone for mobile banking; and 22% have used their mobile phone for mobile payments. Although 87% of consumers used a bank branch in the last 12 months, and 75% used an ATM, 74% used online banking, and 33% used telephone banking. Digital’s impact on experience is real; however, the problem is not a purely “digital-only” one. It spans various channels—web-based online, mobile, retail, kiosk, telephone, and others.

The nerve center of the brand relationship is located online. In the BC Customer Empowerment Research Study, we asked consumers to tell us their preferred ways to receive information about new products or services from a company. The number one response by far was email (80%), followed by U.S. Mail (41%), and then Facebook (23%).

Concurrent channel usage should now be regarded as the new normal for connected consumers. Google survey research on 6,000 smartphone users aged 18–54 found that 71% of in-store shoppers who use smartphones for online research say their device has become more important to their in-store experience. Fifty percent of consumers will visit a store within one day of a local search on their smartphone. Scott Zalaznik, Sprint’s vice president of digital, said: “Ninety percent of our customers start their journey online but buy in-store…and a quarter of those who click on our mobile search banners end up visiting our stores.”

According to Google, 42% of in-store shoppers search for information online while in-store. For these in-store online searches, they usually use search engines (64%). However, nearly half use the retailer’s own site or

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What this says is that for consumers the line between physical retail and online access has vanished. Furthermore, consumers are increasingly looking to branded apps to do their browsing and shopping, enabling brands to strengthen the customer–brand relationship—and dissuade them from turning to competitive brands. The trend toward apps, rather than merely using a mobile browser, is important because it encourages consumers to process brand information in the brand’s proprietary environment—not the broader competitive market environment of open search—and therefore properly frames consumers’ perceptions about the brand’s features and benefits.

Another important insight: For many consumers the local store is becoming more like a local distribution center where they can “pop in quickly to pick up a product they’ve researched in advance,” said Google. “When asked what information would be helpful to have in local search results, respondents in [their] Digital Impact on In-Store Shopping study listed ‘product availability at a nearby store’ (74%) and ‘pricing at that store’ (75%). That’s why it’s important to promote and share inventory seamlessly across all channels.”

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Macy’s vice president of marketing strategy, Serena Potter, emphasized the importance of having local store inventory visible to consumers browsing its website or searching. Macy’s uses Google local inventory ads to connect shoppers with information about the products they seek. “We can tell her that there are eight of what she wants in her size and desired color available right now in the store that’s five blocks away.”

Sephora, a leading cosmetics and beauty retailer, especially focuses on its mobile app to leverage a better in-store customer experience by giving customers direct access to product ratings and reviews. According to Bridget Dolan, vice president of digital media at Sephora, “We think one of the biggest opportunities that we have in retail is for our customers to leverage their phones as a shopping assistant when they’re standing in the store. Having access to this information is that perfect new moment for customers to find everything they’re looking for and get advice from Sephora.”

However, research also suggests that when it comes to delivering a seamless digital–physical experience brands often fall short of consumer expectations. In the digital economy, customer journeys are more fluid, more varied, with different start and end points—with different channels and media being important at different moments. The moment of decision may be early and instantaneous after the failure of one’s trusted old product, such as a food processor, or late after extensive thought or deliberation, such as buying a new car—what matters however is recognizing and responding in that moment of decision. Google researchers said:

> People want to feel that the retailer understands them, and customization is a way to accomplish that. Shoppers want stores to provide experiences tailored just for them; 85% say they’d be more likely to shop in places that offer personalized coupons and exclusive offers in-store. For example, retailers could offer deals that shoppers can use at a nearby location (30% off today only at a store near you!). In addition, they can provide shoppers with promotions for related items as well as alternative...

17. Ibid.
The Opt-Out Effect

fulfillment options, such as free home delivery, should the product they're interested in not be in stock.  

Amazon has one of the best recommendation engines, presenting shoppers with new information, offers, and suggestions that are not only relevant to them, but also of immediate use in the moment. For example, Amazon’s recommendation engine automatically suggests items that are “Frequently Bought Together . . . ” or “Customers Who Bought This Item Also Bought . . . ,” or “Sponsored Products Related To This Item . . . ,” or “Special Offers or Product Promotions,” or “Your Recently Viewed Items and Featured Recommendations—Inspired by your recent browsing history.”

Connected Consumers Create On-Demand Expectations

Research confirms that smartphones are now the number one way consumers access the Internet—coming in ahead of personal computers, work computers, and tablets. Google says that searches on mobile devices now outnumber those on personal computers in ten countries, including the United States and Japan.  

What do consumers do with their smartphones? More than half say that, at least daily, they do seven essential activities—accessing email, texting, searching on the Internet, social networking, using their smartphones while watching TV, getting news alerts, and playing games, according to salesforce.com (see Figure 1.4). Mobile offers certain channel-specific value in that it enables brands a greater capacity for real-time context and consumer-focused interactions. Yet, despite the potential, consumers nonetheless routinely show signs of dissatisfaction and annoyance with the mobile delivery of many brand marketers. For example, in the BC Customer Empowerment Research Study 68% of consumers decided not to install a mobile app


when they found out how much personal information they would need to share in order to use it. And 59% uninstalled an app on their mobile device because they found out it was collecting personal information that they didn’t want to share. However, when we broadened our inquiry into the top reasons they chose to uninstall an app, the number one reason was that “the app was not useful to me,” cited by 74% of respondents. Sixty-three percent said that they needed to “free up memory on my mobile phone,” suggesting that they deleted those apps that were deemed expendable. Otherwise, 42% were “concerned about personal data the company is collecting about me,” and 39% were annoyed by “too many marketing offers” (see Figure 1.5).

These research results highlight the fact that many of the mobile apps some brands offer today are simple “Generation 1.0” apps that essentially replicate the basic functions of a company’s website, or worse—they are token apps that enable the company to claim they are a participant in the digital economy, but consumers sense they have not seriously thought through the incremental utility that should be evident in a really useful app. While on vacation last spring I went to a barbershop and saw a promotional sign inside the shop that said “Get our mobile app.” I enthusiastically asked the barber if the app was available on the Apple App Store. Yes she said, so I checked it out. Sure enough there it was.
I quickly downloaded it. The app lets you find the brand’s barber locations—any smartphone has that function built in, with Siri on the Apple iPhone for example; and you can check in for an appointment. That’s it. Within 3 minutes I had deleted it from my iPhone. One customer wrote this critical review:

> Decided to add the App to my iPhone for convenience and quicker response. Downloaded from iTunes and installed the [barber shop chain] app. All it will let me do is make a phone call or get directions. I already have the Salon in my contact list, so an App that does the same is redundant and time consuming . . . if you do NOT allow [location] tracking the App does not work. Given my chronic battery consumption problem, allowing tracking is a bad idea. Will have to fall back to using my desktop after wasting [an] hour or two with the useless App.

Here the consumer defaulted back to a desktop website to interact with the brand. However, given the dramatic trending of consumers reliance on mobile for Internet access, brands must either offer a mobile-optimized website or design a mobile app—rather than offer a desktop website that is not mobile optimized. In 2015, Google made a definitive statement to brands and app developers that they needed to update

Figure 1.5 Top Reasons You Chose to Uninstall an App

their websites to be mobile friendly. Google changed its structural search algorithm to increase its emphasis on mobile usability as a ranking factor. The algorithm has a determining impact on search results, relegating nonmobile optimized websites to lower search results ranking.\textsuperscript{21}

Researchers at salesforce.com summarized the issue with mobile optimization: "A mobile-optimized website is a make-or-break opportunity for brands. Mobile-optimized websites make it easier for consumers to access content on smaller screens, decreasing the need to zoom in to read text and making it easier to find and tap relevant information." However, their research detected significant frustration even with mobile-optimized websites by more than half of consumers:

\begin{quote}
While 54\% of consumers agree that it’s easier to find information on mobile-optimized websites, 54\% are also dissatisfied, saying mobile-optimized websites don’t provide enough information. Mobile-optimized sites may be more user-friendly (67\% also say they run more quickly), but they aren’t meeting users’ demands for how much content is actually stored on a mobile site.\textsuperscript{22}
\end{quote}

Furthermore, it is not enough to simply offer an app. Consumers now expect apps to demonstrate high quality—similar to the mobile experience they get with other highly useful apps, such as Snapchat, Instagram, Spotify, Google Maps, Pinterest, and Pandora.

\section*{Socially Empowered Consumers}

One brand manager said from our field research:

\begin{quote}
Consumers drive digital marketing. They dictate what platforms to use. Brand managers need to think where consumers will be going in the future, not where they are now—they need to be thinking ahead of consumers. Everything is public—it’s hard to control social media, which gives consumers more power. Brand managers are still necessary
\end{quote}


\textsuperscript{22} “2014 Mobile Behavior Report,” salesforce.com/marketingcloud, 27.
Consumers increasingly use social media to follow brands and make comments about brand experiences—on the major social platforms: Facebook, LinkedIn, Twitter, Pinterest, Tumblr, and others. More than half (53%) liked or followed a brand on social media, according to salesforce.com.23 According to research by Edison Research and Triton Digital of 2,023 American consumers, Instagram is now tied as the second-most popular social network (with LinkedIn), behind Facebook, whereas Pinterest, Tumblr, and Vine have all shown significant growth recently. Their survey asked: “Which one social networking site or service do they use most to connect with brands or products?” Seventy-six percent say Facebook, followed by 10% Twitter, and 4% Instagram. More than one-third of social media users (36%) say they consciously follow brands or companies on social media.24

However, social media has also become an important way for consumers to interact with brands. Fifty-one percent of American consumers say they have written online reviews for businesses, products, or services, according to Goodsnitch, and the majority (82%) of those wrote both negative and positive reviews.25 More than seven in ten (73%) believe it is important to write online reviews for local businesses. And 85% say that knowing a business has received positive feedback makes them more likely to purchase that company’s products or services.26

Consumers are especially influenced by negative reviews—much more so than positive reviews. Research by the Google+ local team of 2,500 Internet users 25 years and older found that “85% of consumers indicated that they would be ‘not likely’ or ‘somewhat unlikely’ to choose a business with negative reviews. This response seemed

26. Ibid.
independent of industry. It was heavily skewed toward the ‘not likely’ with over 62% of all respondents indicating they would not be likely to frequent a business with negative reviews. However, when asked the same question about positive reviews, consumers were nowhere near as likely to look upon positive reviews as reason to choose a business. Between 44% and 53% indicated that they were somewhat or very likely to [choose] a business with positive reviews. But the vast majority of those were ‘somewhat likely’ rather than ‘very likely’ indicating a degree of caution even among those that were predisposed to favor the business based on positive reviews. 47% and 56% of respondents indicated that would remain somewhat unlikely or not likely to choose a business based on positive reviews. That is a large degree of skepticism.”

Consumers increasingly look to social media as a useful customer service touchpoint to resolve problems or offer favorable or unfavorable comments. For example, at a vacation home I set up a “seasonal” Internet/telephone package with the regional telecommunications company—I want the service to be “on” when I am staying there (usually 2 or 3 months), and “off” the rest of the year. However, I experienced considerable hassle in service response when I called into the company to turn the seasonal services off. Inevitably I went through a long phone tree to get to the correct representative, who would then reroute me to someone else, and to someone else. On one call I told the person in exasperation how nice he was, but I had just wasted 93 minutes trying to turn my seasonal service off for the year. That evening I sent out a tweet broadcasting my poor service experience with this company. The next morning I had a cheery response from a company agent in Denver apologizing for my troubles, asking how he could help. He promptly followed through on my request, sent me a confirmation email, and offered to help further. Now whenever I want to turn my seasonal services on or off, I simply email this same representative and he handles my request without a hitch.

I’m not alone—social media is effective because it sends notice publicly to the broader brand community—indeed, to anyone happening

to encounter the brand’s comment while browsing social media. The number of users turning to social media as a *customer service touchpoint* to address specific service issues (versus general brand comments) has grown to 11%, according to eDigitalResearch’s survey of 2,000 consumers. Six percent have used social media to send positive feedback about a company’s service response, compared to 2% who said they have used this touchpoint to send a complaint.\(^{28}\) One-third (37%) of those surveyed now expect to be able to contact a brand by live chat. Notice the difference between these numbers and the research cited above that 51% of American consumers say they have written online reviews for businesses, products, or services. What we are seeing is that consumers are much more likely to use social media to broadcast their dissatisfaction or satisfaction with a brand than they are to use social media to send a specific message or complaint directly to the brand. The imperative for brands to monitor consumer conservations in social media about your brand is essential.

However, what is especially revealing is that consumers not only expect brands to be present on social media, but also expect a speedy and personal response to their social posts or messages. For example, The Social Habit research study (from Edison Research and Triton Digital) found that of those consumers who have ever attempted to contact a brand, product, or company through social media for customer support, 32% expect a response within 30 minutes, and 42% expect a response within 60 minutes. Fifty-seven percent expect the same response time at night and on weekends as during normal business hours. And 24% expect a reply within 30 minutes, regardless of when contact was made (see Figure 1.6).

Digital has changed perceptions of time and social distance between customer and brand, between customer and customer, and between customer and product expert (bloggers, reviewers). Problems now must be resolved instantly or in hours, not days or weeks. Otherwise customers will tweet their dissatisfaction with a hashtag, which gets broadcast to countless potential downstream followers. Blogger Jeff Jacobs describes getting his order filled incorrectly at the drive-in window of Culver’s, a

Wisconsin-based burger chain. He quickly tweeted the issue and got a response in 37 minutes; here’s part of the twitter stream:

Thanks, @culvers Gville SC for double butter bacon burger delivered in the drive thru line. Except that I ordered a tenderloin.
@jeffreypjacobs Whoops! We’re sorry. Would you please give us the details here http://bit.ly/RXUkUh so we can help make this right? Thanks.
@culvers done. thanks for the opportunity to share my thoughts.
@jeffreypjacobs We appreciate you reaching out. Since we goofed, your next Value Basket is on us. DM and follow for details.

The final resolution: “BOTH the corporate Culver’s folks AND the local [Greenville, South Carolina] owner sent me a coupon for a ‘make-up’ basket, and I got a call from the owner, as well as an email.”

Figure 1.6  Expected Response to Social Media Posts to Brands


Notice what transpired here: A smart digital management team at Culver’s monitored Twitter for conversations about the Culver brand and discovered a less-than-satisfied customer—this customer happened to have 108,000 followers on Twitter. The brand digitally joined in the conversation with the customer one-to-one, apologized for making a mistake, asked for details of the error, and offered compensation (a free meal)—marketing theorists call this service recovery. This brand recognized the power of this customer at this moment in time—and the ease (due to digital) at which this customer assumed a more assertive posture in the customer—brand relationship.

Customer-Driven Brand Loyalty
One of the most startling discoveries from my research was the considerable disconnect between today’s connected consumers and brands when it came to the subject of loyalty. Today’s empowered consumers believe that brand loyalty means brands are loyal to them as customers, and not that they as customers are necessarily loyal to brands. Accenture’s study on brand loyalty “found that 95 percent or more of Millennials [say] they want their brands to court them actively, and coupons sent via email or mailed to their homes currently (or will in the future) have the most influence on them.”30 Jake Sorofman of Gartner highlighted key research findings from two leading voices in digital about the directional changes in customer loyalty taking place in the digital economy: “For the third year straight, a Deloitte survey of 4,047 consumers across 28 product categories and 350 brands found brand loyalty declining significantly. It’s hardly surprising when you consider the growing empowerment of the connected consumer.” He then cited this key research finding based on a published research report:

A recent study conducted by customer experience vendor Kitewheel suggests that 73% of consumers feel loyalty programs “should be a way for brands to show how loyal they are to them as customers.” However, by and large, marketing executives have a different view: 66% believe loyalty programs are for customers to show how loyal they are to a business.

He concluded: “loyalty should be a two-way street whose orientation is biased to the consumer, not the brand.”

Consumers are empowered, and loyalty is fickle. At the end of the day, loyalty has to do with a brand’s capability to meet consumer needs over time. Experiences that show consumers that brands can be loyal to them, rather than those solely focused on rewarding and incentivizing customers to make a sale, will shape customer decisions to create long-term, loyal brand advocates.

The key insight is that customers expect loyalty to be customer centric, and not simply brand centric. We will dig deep into this topic in Chapter 3, “The New Look of Loyalty,” when we explore the subject of loyalty’s new look, in significant detail.

Build Consumer Trust

While today’s connected consumers demand an even more personalized experience, they’re becoming more guarded when it comes to giving out their personal information—particularly as data privacy stories continue to make headlines. To retain consumer trust, brands need to be more transparent and prove they are using data to better serve consumers—not just with offers, but with engaging experiences. Ovum’s Consumer Insights Survey of digital consumers around the world found that only 14% of respondents believe that Internet companies are honest about their use of consumers’ personal data.

The implications of trust expectations on the brand’s ability to market in today’s connected environments are considerable. A.C. Nielsen’s study on global trust in advertising and brand messaging found that consumers especially trust personal sources of information, but they especially act upon digital sources of information. In Figure 1.7, I have grouped A.C. Nielsen’s information sources into three types: personal sources, traditional commercial sources, and digital commercial sources. In the first group are personal sources, opinions of other people, whether consumers know them or not. For example, 84% of consumers trust opinions from people they know, and they take action on those opinions.

as well (also 84%); these personal sources are gold standard information sources, the highest ratings of all sources. But not far behind are consumer opinions posted online—often by from people they know, trusted by 68%, and they take action upon their advice, reported by 70%. These online consumer opinions are especially valuable to consumers because they are actionable opinions, useful and valuable in the moment when they are searched. Editorial content such as news articles is trusted by many (67%), but is not viewed as actionable by quite as many (64%). I use a difference score between the action versus trust indicators to quickly identify which information sources are viewed as being especially actionable relative to their trust level, and we can see here that editorial content such as news articles has an action versus trust difference score of −3%.

In the second group are ads from traditional commercial sources. These sources are generally less trusted than personal sources—ranging from 55% to 62%. With the exception of TV ads and newspaper ads, they are also viewed as less actionable—ranging from 53% to 62%. However, ads on TV and in newspapers are viewed as valuable and especially actionable sources in this group with action versus trust difference scores of +6% and +4% for TV and newspapers, respectively. For TV ads, consumers

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Figure 1.7 Sources That Consumers Act Upon, Trust
Adapted from: Global Trust in Advertising and Brand Messages, September 2013, The Nielsen Company. Used with permission.
seem to be persuaded by the high-definition audio-visual impact and the “big-league” image associated with a brand that advertises on large-screen television. And because consumers are consuming information while reading newspapers they are especially receptive to newspaper advertising content located on the page nearby.

In the third group are digital commercial sources. These digital commercial sources appear to be generally less trustworthy as information sources. However, the notable exception is branded websites—trusted by 69% of consumers and taken action upon by 67%. These are remarkably high trust and actionable measures. In other words, consumers seem to be saying that they trust the information obtained from branded websites (69%) even more than they trust personal consumer opinions posted online from reviewers, bloggers, and raters (68%)—suggesting that they believe source brands know their products and services best of all. And they act upon branded website information content nearly as much (67%) as their trust measure (69%) would indicate.

Especially notable among digital commercial sources is the fact that consumers view these digital information sources as highly actionable sources—note the difference scores between action versus trust for nearly all these digital sources. For example, “Emails I signed up for” are viewed as being less trustworthy (56%), but nonetheless as quite actionable, offering information that I would take action on (65%)—for an action versus trust difference score of +9%. The same is true for search engine ads (+9%), social network ads (+7%), online banner ads (+8%), and even text ads on mobile phones (+8%). Though these digital sources may be seen as less trustworthy, they nonetheless bring with them the advantages of digital marketing—they are personally relevant and timely reflecting my in-the-moment personal search activity, and conveniently engaging because with only a click or a tap I can instantly access what I need to quickly accomplish what I need—to get things done.

However, trust is more nuanced for different types of consumers. For example, research has shown that millennial consumers may have distinctly different feelings about trust in the digital economy. And the opinions of millennials are particularly valuable, first, because they represent the next wave of growing and spending consumers, and second, because they are a digitally native generation with confident and definite opinions about online marketing. Forbes magazine and Elite Daily, an online media site calling itself “The voice of Generation Y,” teamed up to research trust and loyalty attitudes among millennials.
“Our findings confirmed that millennials are highly educated, career-driven, politically progressive and—despite popular belief—do indeed develop strong brand loyalty when presented with quality products and actively engaged by brands,” says David Arabov, CEO Co-founder Elite Daily.32 Regarding some of the more common traits of the millennial generation, here are several key findings, quoted from Forbes:

- **Seldom influenced at all by advertising.** Only 1% of millennials surveyed said that a compelling advertisement would make them trust a brand more. Millennials believe that advertising is all spin and not authentic. Many will pay good money to avoid it, for example subscribing to services such as [Netflix] and Spotify, rather than being subject to TV and Radio ads.

- **Often review blogs before making a purchase.** Thirty-three percent of millennials rely mostly on blogs before they make a purchase, compared to fewer than 3% for TV news, magazines, and books. Older generations rely more on traditional media, whereas millennials look to social media for an authentic look at what’s going on in the world, especially content written by their peers whom they trust.

- **Value authenticity more than just content.** Forty-three percent of millennials rank authenticity over content when consuming news. They first have to trust a company or news site before they even bother reading the content that they produce. Blogs are meant to be authentic and many of them are run by a single individual. Millennials connect with people over logos.

- **Open to engaging with brands on social networks.** Sixty-two percent of millennials say that if a brand engages with them on social networks, they are more likely to become a loyal customer. They expect brands to not only be on social networks, but to engage them at the right moments. Of course, the two challenges here for brands: (A) how to scale with the demand, and (B) how to know when these right moments are (and are not).

- **Interested in to co-creating products with companies.** Forty-two percent said they are interested in helping companies

develop future products and services. In our society, companies usually create products and hope that their target market will consume them. When it comes to millennials, they want to be more involved with how products get created. Companies that enable them to be part of the product development process will be more successful. In particular, crowdsourcing platforms have become hugely popular for consumer testing and feedback as well as fundraising (for example, Kickstarter).

- **Using multiple tech devices.** As no surprise, 87% of millennials use between two and three tech devices at least once on a daily basis. Thirty-nine percent are either very or completely likely to purchase a tablet computer in the next five years, while 30% are for wearable devices. When there’s new technology available, you can bet that millennials will be all over it! In order to keep your brand relevant, and appealing to millennials, you need be able to engage on new platforms as they are released. For instance, for some brands, having a native application for Apple’s Apple Watch can be a good long-term investment (while others, not).

**Conclusion**

Consumers are taking control of their own marketing destinies, creating their own experiences. They are becoming their own brand managers and changing the way marketers go about marketing. They wield considerable and increasing power in an economy that naturally empowers them in natively digital ways that are becoming ubiquitous. We see evidence of this in the response rates, the opt-out rates, and the unsubscribe rates of email and other marketing campaigns.

I discuss opt-out in detail in the next chapter. Is opt-out an inevitable outcome of the transition of the global economy from a traditional one to a digital one—with consumers who are alienated by rapid technological change? Quite the contrary: it is consumers who are rapidly embracing the benefits of the digital economy; it is changing their expectations for brand and customer relationships.

At the same time, however, the promotional activities of marketers are accelerating this tectonic shift that is empowering customers to seize control of their chosen brand relationships, to opt out of those relationships that don’t adapt to the new customer-driven market reality. Many
marketers have misinterpreted the meaning of the digital economy—they see it as a more efficient economy, a cost-saving economy for businesses, with digital marketing as a low-cost driver that enables economical delivery of relentless marketing messaging. But this is mistaken.

To succeed in the new era of consumer-empowered marketing, brands must learn from the mistakes of the past, to ensure they don’t repeat them in the new channels and new media of the digital economy.

As marketers, we need to upend our thinking about “managing customers.” We need to give customers control, with digital tools and assets to manage their own empowered relationships. If you don’t provide customers with relationship control, customers will seize it anyway—and opt out from your brand. Wharton School marketing professor Jerry Wind was one of the very first to argue that marketers must change their focus from CRM—customer relationship management, to CMR—customer-managed relationships, and his prescient prediction is now rapidly coming to fruition:

**Box 1.4: The Historic Shift to Empowered Consumers and CMR**

This [changing] world has led to a new breed of consumers. They expect customization (make it mine), communities (let me be a part of it), multiple channels (let me call, click or visit), competitive value (give me more for my money) and choice (give me search and decision tools). The era of the passive consumer is history. Empowered consumers are increasingly in control, which dramatically changes the role of marketing. This shift in relationship between consumers and companies is the most fundamental change in the history of marketing, even more dramatic than the historic shift from a product orientation to a market orientation . . .

In addition to companies managing their relationships with customers, we need to create platforms that allow customers to manage their relationships with companies. In other words, we need to forge “customer managed relationships.”

Index

A

Accenture, 4, 26
Accrual-driven loyalty, 89–90
Acquisition Cost (AC), 106, III, 113–114
Ad-blocking, 1–2, 47, 119–120
Adblock Mobile, 119, 185
Adestra, 34
ADT, 72
Advertising. See Marketing
“Age of authorship,” 217
Aggarwal, Raj, 136
Alignment, brand, 124, 228
Amazon, 5–6, 8, 10, 18, 70, 125, 151, 169, 174
brand loyalty, 85, 86, 219, 225
Fire, 74
Kindle, 74, 80, 85, 86
Prime, 80–81, 88, 134
American Customer Satisfaction Index, 177
Anderson, Jamie, 139
Anderson, Steve, 139
AOL, 2, 61
Apple, 105, 211
ad-blocking apps, 47
App Store, 1, 19, 47, 74
brand loyalty, 85, 86, 89
customer experience with, 99–101
digital customer relationships, 70, 73, 81
iBeacon, 150, 151, 172, 216
iOS, 2, 3, 47, 101, 195
iPad, 74, 101

iPhone, 4, 20, 74, 93, 99–100, 101, 105, 132, 135–136, 165
Maps, 174
market-based assets, 101–103
Pay, 135
Watch, 31, 94–95, 101, 120, 165, 172
Arabov, David, 30
Arment, Marco, 1–2
Artzt, Ed, 201–202, 203, 225
Ask, 2, 61
Assisted/last click or direct conversions, 154
AT&T, 99, 105, 130
Australia and New Zealand Banking Group Ltd (ANZ), 128

B

Baer, Jay, 25
Bagozzi, Rick, 73
Bain & Company, 76, 125
Bain Consulting, 76
Bank of America, 41, 174
Banner ads, 28, 29, 35, 36, 39, 42, 44, 52, 190
Barnes & Noble, 8, 9, 174, 211–212
Basic linear buyer decision model, 137
Basic performance attributes and customer satisfaction, 94–100
Behavioral opt-out, 51, 52, 55–58
Bell, R. J., 215
Berkowitz, Jonathan, 213
Best Buy, 8, 9, 135
Best-in-class preference management experience, 188–198
Bienoff, Marc, 130
Bing, 2, 60, 61, 116, 180
BlackBerry, 2, 3, 99–100
Blekko, 61
Blogs, lead generation through, 30, 38–39, 40
BlueHornet, 186–187
Blue Nile, 10
Bluetooth LE Beacons, 151, 156
BODFS (Buy Online Deliver From Store), 10
BOPIS (Buy Online, Pickup In Store today), 10
BORIS (Buy Online, Return In Store), 10
BOSS (Buy Online Ship to Store), 10
Boundless marketing, 41–44
Bowman, Jud, 113
Brand equity, customer, 46, 50, 55, 100, 115–118
Brand Keys, 85–86
Brand loyalty. See Digital customer relationships; Loyalty
Brand managers, 5, 14
and consumer engagement and involvement with brands, 12, 21–22, 219–224
in customer-centric digital economy, 224–229
customers as, 215–219
and customers in the digital economy, 210–214
digital brand management by, 218, 229–233
evolution of brand marketing and, 78
impact of digital economy on, 203–209
media strategy, 203–204, 207
message strategy, 203–204, 229
Breazeale, Michael, 69
Burger King, 143

Business Insider, 9
Buy.com, 8
Buzzfeed, 212–213

C
Capital One Financial Corporation, 64
Centricity, customer, 122, 123–124, 207
Chandler, Bill, 78
Children’s Online Privacy and Protection Act, 62, 65
Christensen, Clayton, 124
Club ShaveMate, 202
Coke, 92, 217, 223–224
Comcast, 134, 174
“Competing on Customer Journeys,” 145–146
Computer Fraud and Abuse Act, 62
Consumer Decision Journey Model, 137–138, 140–146
Consumer Intelligence Research Partners, 81
Consumer packaged goods (CPGs), 202
digital brand management, 206
Consumers. See Customers/consumers
Contextual interaction, 146, 192
Conversion value, 154
Coop@home, 128
Cost-driven marketing, 35
Cost-to-serve, 77, 106
Court, David, 138, 141
CrazyEgg.com, 159
Creative moments, 170
CrowdBooster, 180
Crowdsourcing, 6, 12, 31
Crystal, 47, 120, 185
Customer-centric digital economy, 224–229
Customer Effort Score (CES), 176, 177
Customer influence value (CIV), 116, 117
Customer knowledge value (CKV), 116, 117
Customer lifetime value (CLV)
customer brand equity and, 116–118
customer relationship paradigm and, 175–179
diminished, 55, 107
expected, 114, 115
financial impact of consumer opt-out on, 53–58
impact of retention, opt-out on, 46–53
market-based assets and, 104–114, 115
Customer-managed experience (CMEx)
customer centricity in, 122, 123–124
customer engagement in, 126–130
customer experience in, 124–126
customer journeys in, 137–140
dominant experience expectations and, 133–136
enabling, 130–133
McKinsey Consumer Decision Journey Model, 140–146
measuring, 151–152, 153–155
Oracle Customer Experience Infinity Loop model, 146–149
Pyramid, 122
Customer referral value (CRV), 116, 117
Customer relationship management (CRM), 32, 76–79, 84, 140
Customer satisfaction (CSAT), 41, 176, 177–179
Customers/consumers
as brand managers, 215–219
brand value, created by, 82–85, 86, 96, 111
empowerment, 13–15, 18, 20, 34–35, 36, 46, 107
engagement, 42, 44, 72, 75, 84, 97, 104–106, 122, 126–130, 207–209
on-demand expectations created by connected, 18–21
showrooming by, 6–8, 9
socially empowered, 21–26
Traditional Economy, 78, 83, 89, 178, 225
trust, 27–31
CVS, 174

D
Decibelinsight.com, 159
Delightful/excitement attributes and customer satisfaction, 95, 97, 98–99
Deloitte, 26
Delport, Dominique, 90
Delta Air Lines, 151
Designing and building of customer journeys, 157–159, 160
Designing to act, 122, 129
De Swaan Arons, Marc, 208, 209
Diapers.com, 71
Digital automation, 151
Digital brand management, 218, 229–233
Digital customer relationships. See also Loyalty
components, 72–73
as customer centric, 83, 207
versus early customer relationship management, 76–79
emerging, 70–75
new paradigm in customer loyalty and, 70, 79–81
Digital Training Academy, 227
Diminished Customer Lifetime Value (CLVd), 55, 107
Disney Destinations, 131
Dolan, Bridget, 17
Dollar Shave Club, 202
Dominant experience expectation, 133–136
Do Not Call Registry, 63, 65
Dowling, Grahame, 79
Dreby, Kacey, 207
Duck Duck Go, 61
Dunkin’ Donuts, 85, 86

E
EBay, 58, 93
Econsultancy, 34
Edelman, David, 145–146, 149, 151
EDigitalResearch, 24
Edison Research, 22, 24
EffectiveBrand, 208
800razors.com, 202
Eliashberg, Jehoshua, 104
Elite Daily, 29–30
Email marketing, 34, 40, 187–188
Email Marketing Industry Census, 34
Empowerment, customer
customer led experience and, 18–21, 138
to manage cost of brand relationships, 183–185 researching, 13–18
ENDECA, 149
Engagement
brand loyalty and, 12, 21–22, 219–224
with customer journeys, 144–159 in customer-managed experience, 126–130 and involvement with brands, 219–224
Engaging to act, 122, 129–130
Equity, customer brand, 46, 50, 55, 100, 115–118
European Court of Justice (ECJ), 59
Expectations
dominant experience, 133–136 managing, 126
Experience, customer. See also Customer-managed experience (CMEx)
best-in-class preference management, 188–198 experience-driven loyalty, 88, 90 measures, 176, 177–178 teams, 209
Explicit opt-out, 51, 55–57

F
Fab.com, 188, 196
Facebook, 3, 78, 86, 111, 180, 195, 196 data collection, 181, 184 digital customer relationships, 12, 14, 22, 73 inbound marketing, 38, 42 Nike and, 227 preference management, 187–188 privacy settings, 47, 62, 190–193
Fader, Peter, 123, 179
Fair Credit Reporting Act, 61, 62
Fair Debt Collections Practices Act, 58
Fast Company, 33
FatWire, 148
Federal Communications Commission, 59
Federal Reserve, 15
Federal Trade Commission (FTC), 48, 61, 63
FedEx, 97
Fertility Friend, 195
Fetscherin, Marc, 69
Financial Times, 80, 100
First click conversion value, 154
First Moment of Truth, 163, 167, 172
Flacco, Joe, 43
Forbes, 29
Forrester Research, 70, 71
Fortune, 103
Fournaise Management Group, 37
Fournier, Susan, 69, 73
Foursquare, 190–191
Frawley, Andy, 127
French National Assembly, Proposed Law, April 2013, 7
Frito Lay, 12
Frost, Allister, 233
Fujitsu, 42, 124
Funnel buying decision model, 138

G
Gap, 78
Gartner Group, 26, 79, 90, 119, 177
GEICO, 144
General Motors, 87
Gephi, 156–157
Ghostery, 47, 66, 187
Godin, Seth, 131
Gojery.com, 107–109, 112, 114
González, Mario Custeja, 59
Google
Analytics, 154, 156, 157, 159
Android, 2, 3, 74
brand loyalty, 81, 85, 86
Consumer Insights, 168
Earth, 146
Google+, 3, 12, 180, 227
increased emphasis on mobile usability, 21
Maps, 21, 174
measuring and analyzing customer journeys, 152, 153–155
opt-out and, 59, 60–61
Play, 135, 221
search engine, 2, 15, 59, 81, 86
Graham, Shawn, 33
Grasshopper, 91
Groupon, 195
Gupta, Sunil, 116

H
Hansen, Mark, 78
Harry’s Razors for Men, 202
Harvard Business Review, 116, 125, 141, 145, 208, 209
Hasbro, 129, 212–213, 214, 217
Haselmayer, Melanie, 74
Havas Media, 90
Health Insurance Portability and Accountability Act, 62, 64–65
Heatmaps, 159
Hesse, Dan, 105
High Enduring Involvement, 219–223
High Situational Involvement, 169, 220–223
HokeyPokey, 181
Home Depot, 10, 13, 173, 174
Honeywell, 72
“How” focus, 126
HP, 42, 124
Hsieh, Tony, 11
HubSpot, 38, 39, 40, 195
Hulu, 134

I
IBeacons. See Bluetooth LE Beacons
IBM, 124
IContact, 113–114
Igniting Customer Connections, 127
Imagitas, 173
Inbound marketing, 38–41
Influence measures, 176, 180–183
InQuira, 149
Instagram, 2, 21, 86, 211, 217, 218
boundless marketing, 42
engaging to act and, 129
Klout Score and, 180
Internet of Things, 151, 156–157

J
Jacobs, Jeff, 24–25
Jawbone Up, 120
JetBlue, 92
Jiffy Lube, 89
Johnson & Johnson, 207–208
Journeys, customer, 137–140
designing and building, 157–160
 McKinsey Consumer Decision Journey Model, 140–146
measuring and analyzing, 151–152, 153–155
monitoring and engaging with, 149–151
Oracle Customer Experience Infinity Loop (CX Lifecycle) model, 146–149
visualizing actual, 155–157

K
Kahneman, Daniel, 165
Kano, Noriaki, 94–100
Keller, Kevin Lane, 72
Klout Score, 176, 180
Knowledge moments, 170
Kohl’s, 8, 9, 135
Kumar, VK, 76, 116, 117, 181

L
L. L. Bean, 9–10
Lafley, A. G., 164
Lawson, Matt, 169
Lecinski, Jim, 167
LEGO Group, 129, 211–212, 224
Lemon, Kay, 76, 115–116
Lenovo, 125, 128–129
Linear performance attributes and customer satisfaction, 94–95, 97, 99
LinkedIn, 3, 22, 44, 73, 103–104, 180, 187
Listening to act, 122, 128–129
Little, Mark, 66
Llopis, Glenn, 174
Locational moments, 170
L’Oreal Paris, 221–222
Loyalty. See also Digital customer relationships
accrual-driven, 89–90
building market-based assets, 100–114, 114–115
customer-driven, 81–86
demonstrated with surprise and delight, 91–93
evolution of brand, 78
impact of experience on, 86–90
Loop, 141, 142–146, 151, 160
performance-driven, 89
product-driven, 88–89
transitioning to new paradigm in, 79–81
Lyft, 174, 231

M
Macy’s, 10, 17
Makeup Genius app, 221–222
Mannheim, David, 157–159
Manpacks, 202
Maps, journey, 157–158
Margins and loyal customers, 75, 76
Market-based assets, 100–114, 114–115
Marketing
as advocacy, 27, 37–38, 69
banner ads, 28, 29, 35, 36, 39, 42, 44, 52, 190
boundless, 41–44
building brand relationships, 46, 69, 71
consumer trust of, 27–31
cost-driven, 35
customer opt-out of, 44–58
demonstrated with surprise and delight, 91–93
death of, 35, 36
email, 34, 40, 187–188
evolution of brand, 78
expected prosperity of, 78
measurement protocols, 175
pop-up ads, 33–35, 36, 52–53, 56
print ads, 28, 29, 35, 36, 39, 42, 44, 52, 190
return on investment (ROI), 34, 157, 233
Marketing Science Institute (MSI), 165–166
Mastercard, 91
McDonald’s, 143
McGraw-Hill.com, 174
McKinsey
Accelerated Consumer Decision Journey, 144–146
Consumer Decision Journey Model, 140–144
digital brand management, 232
e-commerce in consumer-packaged-goods, 206
McKinsey Quarterly, 141
McQuivey, James, 70–71
Meaningful brands, 90
Media strategy, 203–204, 207
Merrill Lynch, 41
Message strategy, 203–204, 229
Mevvy, 74
Meyer, Christopher, 125
Michaels, 196
Micro-moments, 168–170, 171
Microsoft
Bing, 2, 60, 61, 116, 180
Windows Phone, 2
Windows 10 upgrade, 59–60, 184
Middle East Airlines, 92
Millennials
digital customer relationship and, 4–5, 26
trust of brands and advertisers, 29–31
Millwood, Aimee, 12
Mobile agility, 2, 3, 81
Mobile apps
ad-blocking, 1–2, 47, 119–120
creating on-demand expectations, 18–21
customer involvement with brands and, 168
customer loyalty and, 82, 85
digital customer relationships and, 136
privacy policies, 48
reasons for uninstalling, 19–20
in store usage of, 3–4
Model of Customer Satisfaction, 94
Moldafsky, Jamie, 70
Moments of need, 168, 172–174
Moments of truth, 163–172
creative, 170
first, 163, 167, 172
knowledge, 170
locational, 170
micro-, 168–170, 171
purchase, 170
zero, 167–168, 172
Monitoring customer journeys, 149–151
Monopoly game, 212–215
Morgensen, Dave, 208
Motricity, 113
Moves, household, 173
MTailor, 120

O
Omni-channel brand experiences, 4, 14–18, 178, 217
1Blocker, 185
O’Neill, Paige, 126
OnStar emergency service, 87
Open Table, 75
Opt-in, 107, 120, 185–188
Opt-out, 185–188
behavioral, 51, 52
classes of, 51–53
cumulative effect of, 48–50
effect, 46–48
empowering customers to manage soft costs, 185–188
explicit, 51
financial impact of, 53–58
impact on CLV, 57–58
level of, 49–50, 57
power of, 47
regulatory involvement and, 58–66
silent, 51–52
ture, 53
Oracle Customer Experience Infinity Loop (CX Lifecycle) model, 146–149
“Oreo Cookie Lights-Out,” 43
Outbound marketing, 38–41
Ovum, 27, 66

P
Passikoff, Robert, 85
Path, 3
PayPal, 58–59, 86
Peace (mobile app), 185
People Per Hour, 91
Perception measures, 176, 178–179
Performance-driven loyalty, 89
Personal Data Protection and Breach Accountability Act, 63, 65
Pheed, 3
Pinterest, 3, 21, 22, 96, 150, 181
Nike and, 227
Pitney Bowes Software, 48
PocketGrib, 84
Points of difference, 97, 98, 99

N
Nabisco, 43
Need driven brands, 122, 124
Netflix, 30, 62, 80, 86, 134, 183
Net Promoter Score (NPS), 118, 125, 176, 177
New Balance, 120–121
Nielsen, A. C., 27–28
Nike, 11, 217, 226–227
Nokia, 1
Nordstrom, 123
Nyman, Eric, 217
<table>
<thead>
<tr>
<th>Points of parity, 97, 98, 99</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pop-up ads, 33–35, 36, 52–53, 56</td>
</tr>
<tr>
<td>Pop-up stores, 11–12</td>
</tr>
<tr>
<td>Potter, Serena, 17</td>
</tr>
<tr>
<td>Power, social, 2, 3</td>
</tr>
<tr>
<td>Prasad, Alok, 41</td>
</tr>
<tr>
<td>Preference management, 45, 188–198</td>
</tr>
<tr>
<td>Pregame.com, 215</td>
</tr>
<tr>
<td>Privacy policies, 48, 60, 65–66</td>
</tr>
<tr>
<td>Proactive personalization, 146, 151</td>
</tr>
<tr>
<td>Proctor &amp; Gamble, 144, 163–165, 201–204, 233</td>
</tr>
<tr>
<td>Product-driven loyalty, 88–89</td>
</tr>
<tr>
<td>Profitability, customer, 53, 57, 76, 79, 175</td>
</tr>
<tr>
<td>Profitable Customer Engagement, 181</td>
</tr>
<tr>
<td>Progressive Insurance, 144</td>
</tr>
<tr>
<td>Purchase moments, 170</td>
</tr>
<tr>
<td>Purify Blocker, 120, 185</td>
</tr>
<tr>
<td>Return on investment (ROI), 34, 157, 233</td>
</tr>
<tr>
<td>RightNow, 149</td>
</tr>
<tr>
<td>Ritz-Carlton, 91–92</td>
</tr>
<tr>
<td>Rust, Roland, 116</td>
</tr>
<tr>
<td>SailFlow, 84</td>
</tr>
<tr>
<td>Salesforce.com, 18–19, 21–22, 130, 187</td>
</tr>
<tr>
<td>SAP, 139</td>
</tr>
<tr>
<td>Sarner, Adam, 79–80</td>
</tr>
<tr>
<td>Saucey, 83</td>
</tr>
<tr>
<td>Schwager, Andre, 125</td>
</tr>
<tr>
<td>Seamlessness, 4–5, 9, 10, 14, 83, 140, 231</td>
</tr>
<tr>
<td>omni-channel brand experiences, 14–17</td>
</tr>
<tr>
<td>Search engines, 2, 15–16, 61, 86</td>
</tr>
<tr>
<td>SEO (search engine optimization), 35, 204</td>
</tr>
<tr>
<td>Sephora, 17</td>
</tr>
<tr>
<td>Share of wallet, 76, 90, 96, 117</td>
</tr>
<tr>
<td>ShaveMOB, 202</td>
</tr>
<tr>
<td>Shazam, 194–195</td>
</tr>
<tr>
<td>Showrooming, 6–8, 9</td>
</tr>
<tr>
<td>Siemens, 195</td>
</tr>
<tr>
<td>Silent opt-out, 51–52</td>
</tr>
<tr>
<td>Singer, Marc, 145, 222</td>
</tr>
<tr>
<td>Slate.com, 180</td>
</tr>
<tr>
<td>Snapchat, 21, 42, 73</td>
</tr>
<tr>
<td>Social Habit Research Study, 25, 103</td>
</tr>
<tr>
<td>Social media</td>
</tr>
<tr>
<td>companies designing to act on, 122, 129</td>
</tr>
<tr>
<td>companies engaging to act on, 122, 129–130</td>
</tr>
<tr>
<td>companies listening on, 122, 128–129</td>
</tr>
<tr>
<td>as customer service touch point, 23–24</td>
</tr>
<tr>
<td>expected response to posts on, 24–25</td>
</tr>
<tr>
<td>lead generation via, 39</td>
</tr>
<tr>
<td>millennials engaging with brands through, 26, 30</td>
</tr>
<tr>
<td>social networking advantage, 61</td>
</tr>
<tr>
<td>social power and, 2, 3</td>
</tr>
<tr>
<td>Social Network Visualizer, 156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qcut, 120</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>R</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Europe, 159</td>
</tr>
<tr>
<td>Reddit, 3, 7, 12</td>
</tr>
<tr>
<td>Regulatory involvement and opt-out, 58–66</td>
</tr>
<tr>
<td>Reichheld, Fred, 76–77, 118</td>
</tr>
<tr>
<td>Retailers</td>
</tr>
<tr>
<td>empowered customers and, 6–7, 18–21, 135, 138, 233</td>
</tr>
<tr>
<td>engaging customers, 6, 21–22, 126–130, 219–224</td>
</tr>
<tr>
<td>omni-channel brand experiences, 4, 14–18, 178, 217</td>
</tr>
<tr>
<td>pop-up stores, 11–12</td>
</tr>
<tr>
<td>seamlessness and, 4–5, 9, 10, 14–17, 83, 140, 231</td>
</tr>
<tr>
<td>showrooming and, 6–8, 9</td>
</tr>
<tr>
<td>stores as offline product showrooms, 10</td>
</tr>
<tr>
<td>vulnerability, 8–10</td>
</tr>
<tr>
<td>Retention</td>
</tr>
<tr>
<td>multiplier, 58, 111–114, 115</td>
</tr>
<tr>
<td>rate, 58, 76, 107, 111–112, 114, 179</td>
</tr>
</tbody>
</table>
Société de Transport de Montréal (STM), 127
Sorofman, Jake, 26–27, 119
Spotify, 21, 30, 89, 109–111, 134
Sprint, 15, 105
Staples, 72, 73, 174
Starbucks, 6, 149, 222, 225
Starwood Hotels, 151
Strother, Rod, 129
Sungevity, 146
Supercell, 183
SurveyMonkey, 103

T
Tamuno, Dateme, 131
Target, 8, 9, 135
Telephone Consumer Protection Act, 58–59, 62, 64
Telephone Do Not Call Act, 65
ThinkWithGoogle, 161
Timberlake, Justin, 91
Touchpoints, customer, 38, 41–42, 44, 122, 124, 126, 141, 158–159, 164
ToysRUs, 8, 9
Traditional Economy Customers, 225
Triggers of moments of need, 141, 172–174
Trip Advisor, 195
Triton Digital, 22, 24
True opt-out, 53
Trulia, 146
Trust, consumer, 27–31
Tumblr, 2, 3, 14, 22
boundless marketing, 42
Nike and, 227
Tversky, Amos, 165
TwentyFeet, 180
Twitter, 3, 12, 22, 25–26, 86, 111, 121, 172, 181, 190, 223, 227
boundless marketing, 38, 42
data collection, 121, 181
engaging to act and, 78, 129
inbound marketing, 38, 42
Klout Score and, 180
Nike and, 227
preference management, 197

U
Uber, 2, 91, 93–94, 126, 151, 160, 174, 231
Underwood, Paddy, 191
Ungerman, Kelly, 150
Unilever, 208
Unplanned purchases, 166
UserConversion.com, 159
User-generated content (UGC), 129, 222

V
Value driven brands, 122, 124
Value measures. See also Customer lifetime value (CLV)
Van Bommel, Edwin, 149
Van den Driest, Frank, 208
Vaughn, Chris, 83
Verizon, 134
Video Protection Act, 62
Vine, 22
boundless marketing, 42
Virtue, 149
Visualization of actual customer journeys, 155–157
VPN in Touch, 120, 185
VRBO (Vacation Rental by Owner), 70

W
Wall Street Journal, 10, 44, 142, 163, 191
Wall Street & Technology, 41
Walmart, 8, 135, 233
Warby Parker, 71, 218–219
Waze, 174
Weather.com, 84
Weed, Keith, 208
Wells Fargo, 70
Wendy’s, 143
WestJet, 92
Wharton School, 32, 104, 123, 179
WhatsApp, 42, 85, 86
Whole Foods, 88–89
Wikipedia, 180, 217
<table>
<thead>
<tr>
<th>Name</th>
<th>Page(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wild Orange Media</td>
<td>233</td>
</tr>
<tr>
<td>Wind, Jerry</td>
<td>32</td>
</tr>
<tr>
<td>Wooldridge, Adrian</td>
<td>93</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>69, 75, 76, 77, 84, 88, 103, 104, 118, 177–178</td>
</tr>
<tr>
<td>Xerox</td>
<td>134</td>
</tr>
<tr>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Yahoo!</td>
<td>2, 61, 184–185</td>
</tr>
<tr>
<td>YCharts</td>
<td>104</td>
</tr>
<tr>
<td>YouTube</td>
<td>3, 12, 60</td>
</tr>
<tr>
<td>boundless marketing</td>
<td>42</td>
</tr>
<tr>
<td>brand loyalty</td>
<td>85, 231</td>
</tr>
<tr>
<td>digital brand management</td>
<td>using, 172, 202, 207, 230</td>
</tr>
<tr>
<td>Zeithaml, Valerie</td>
<td>116</td>
</tr>
<tr>
<td>Zero Moment of Truth</td>
<td>167–168, 172</td>
</tr>
<tr>
<td>ZipCar</td>
<td>174</td>
</tr>
<tr>
<td>Zone of indifference</td>
<td>95, 96–97, 100</td>
</tr>
</tbody>
</table>